

THE INFLUENCE OF ORGANIZATIONAL COMMITMENT AND ORGANIZATIONAL CULTURE ON ATTITUDES TOWARD ORGANIZATIONAL CHANGE

BY

NORLINA KAMUDIN

Project Paper Submitted in Partial Fulfillment of the Requirement for the Degree of
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ABSTRACT

Supervisor: MD. ZABID HJ. ABDUL RASHID, Ph.D.

This study investigates the influence of organizational commitment and organizational culture on the attitudes toward organizational change in a tertiary institution in Malaysia. It also investigates the effects of organizational commitment and organizational culture on attitudes toward organizational change. Various dimensions of organizational commitment and attitudes toward organizational change are also examined. Organizational culture was measured by using the Organizational Culture Model developed by Goffee and Jones (1998), attitude towards change were measured by using the Dunham et. Al. (1989) instrument and organizational commitment was using Allen and Meyer (1990).

A structured questionnaire was developed and self-administered to a private educational institution in Malaysia. A total of 108 usable questionnaires determined the extent of

influence of the independent variables on the dependent factors. It was found that there was an association between organizational commitment and various attitudes toward change. The results also showed that the respondents in the organization have a communal culture. It was also found that organizational culture and the cognitive tendency on attitudes toward organizational change are associated. The socio-demographic factors like genders, ethnic, age, position and years in present position was found to have an effect on attitudes toward organizational change. With regards to position, it was found that positions of respondents also have an effect on attitudes towards organizational change. The implications of the study are also discussed.

Abstrak tesis yang dikemukakan kepada Senat Open University Malaysia sebagai memenuhi sebahagian keperluan untuk ijazah Sarjana Pentadbiran Perniagaan.

PENGARUH KOMITMEN DAN BUDAYA ORGANISASI KE ATAS SIKAP TERHADAP PERUBAHAN DI DALAM ORGANISASI

Oleh

NORLINA KAMUDIN

ABSTRAK

Penyelia: MD. ZABID HJ. ABDUL RASHID, Ph.D.

Kajian ini meneliti pengaruh komitmen dan budaya organisasi ke atas sikap pekerja terhadap perubahan di dalam organisasi di sebuah institusi pengajian tinggi di Malaysia.

Ia juga meneliti kesan kepada komitmen dan budaya organisasi ke atas sikap pekerja terhadap perubahan di dalam organisasi. Beberapa dimensi komitmen terhadap organisasi dan sikap terhadap perubahan di dalam organisasi juga di kaji. Budaya organisasi di ukur dengan menggunakan model budaya organisasi yang disarankan oleh Goffee dan Jones (1998), sikap pekerja terhadap perubahan di dalam organisasi diukur menggunakan kaedah Dunham et. al (1989) dan komitmen diukur menggunakan kaedah Allen dan Meyer (1990).

Kaji selidik telah dijalankan dan sejumlah 108 jawapan kaji selidik yang boleh digunapakai telah menentukan tahap pengaruh variable tak bersandar ke atas faktor-faktor bersandar. Kajian ini mendapati bahawa terdapat perkaitan diantara komitmen organisasi dan sikap terhadap perubahan di dalam organisasi. Keputusan kajian juga menunjukkan bahawa responden organisasi tersebut memiliki budaya "communal". Kajian ini juga mendapati bahawa budaya organisasi dan sikap kognitif pekerja terhadap perubahan di dalam organisasi adalah berkaitan. Faktor-faktor demografi seperti jantina, etnik, umur, jawatan dan tahun di dalam jawatan semasa didapati mempunyai kesan kepada sikap terhadap perubahan di dalam organisasi. Berkaitan dengan jawatan pula, adalah didapati bahawa jawatan seseorang responden juga mempunyai kesan ke atas sikap terhadap perubahan di dalam organisasi. Implikasi kajian ini juga dibincangkan.

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In the name of Allah SWT, the Compassionate and the Merciful, to whom I owe the strength and sense of purpose which enabled me to complete this thesis.

For a career woman, a wife and a mother of three children, writing a thesis requires an enormous level of commitment and discipline. It was a very challenging task and has taken great deal of sacrifices. In the process of completing this thesis, there are so many people to whom I owe great debt of gratitude. I would like to express appreciation to certain individuals who made particularly significant contributions to my thesis.

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This thesis submitted to the Senate of Open University Malaysia has been accepted as partial fulfillment of the requirement for the degree of Master of Business Administration.

MD. ZABID HJ. ABDUL RASHID

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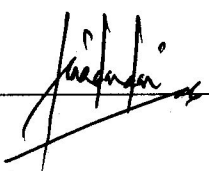
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DECLARATION

Name : NORLINA KAMUDIN

Matric Number : CGS00001101

I hereby declare that this project paper is the result of my own work, except for quotations and summaries which have been duly acknowledged.

Signature:  _____

Date: 4-9-06

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CHAPTER 1

RESEARCH OVERVIEW

1.1 Background

The global and competitive market environment has led to new challenges for both organizations and individuals in them (Iversen, 2000). As a result, the workplace in Malaysia and other parts of the globe has faced some major changes during the last ten years. These are, among many, the internationalization of the economy, the workforce demography, the density and wider use of information technology and the continuous and rapid scientific and technological change.

These changes have had several consequences on the structure of the firm and the style of management, forcing organizations to realize the value of their human resources. They created the need for new structures and management practices which contribute to organizational commitment and flexibility whilst ensuring a long-term supply of employees with necessary competencies and skills (Beer *et al.*, 1984; Iversen, 2000). Human resource managers must understand all these changes and develop the appropriate strategies in order to help their organization to succeed.

Many researchers have argued that organizational commitment is vital in order for an organization to achieve organizational success (Pfeffer, 1994; Jackson and Schuler, 2000;

Barney, 1991). To illustrate, Tokesky and Kornides (1994) asserted that employees are increasingly being asked to be a source of competitive strength and vitality, trying to show the relation between organizational commitment and organizational culture with organizational success. In turn, organizations have acknowledged the importance of employees as corporate assets. The skills, knowledge and experiences of employees have economic value in the marketplace and also potential value to an organization because they enable it to be productive and adaptable. Firms that manage their human resources effectively in terms of introducing strong corporate culture and preparing them for change, have higher levels of profitability, higher productivity and higher market value, thus meeting the needs of the organization, stockholders, investors, customers, employees and finally the needs of society.

In developing the organization, employee changing needs must be accounted for. Given the socio-demographic, technological and economic changes throughout the global business environment, these needs are different today than they were 20 years ago. Many organizations are moving towards labour flexibility. As a result, several types of flexible work arrangements (FWAs) have emerged. Some researches argue that FWAs that are innovative as to be regarded as an advantage over competing companies will finally become commonplace (Kirrane, 1994; Verespe, 1994). Such arrangements have the potential to benefit all parties involved, but in order to do so, they need to be integrated well into the organizational system or culture.

Therefore, managers and organizations need to create the ability to visualize the future, to think systematically and to understand the complex forces that shape organizations. They need to push responsibility for daily delivery of human resource management services to business units and line management, thus satisfying employee and organizational needs more efficiently and focusing on companywide issues rather than on micromanagement (Down *et al.*, 1997). Finally, management strategy and practice, in their alignment with organizational strategy, need to interact within and with an external environment of national culture, market mechanisms, power systems, legislation, education, and employee representation (Brewster, 1995).

Unprecedented changes and a variety of challenges forced organizations to operate in a continuously changing economic environment in order to survive (Jackson and Schuler, 2000; Pfeffer, 1994; McKenna and Beech, 1995). Employee commitment is very crucial in shaping the attitudes toward organizational change and to ensure the effectiveness and success of organization in foreseeing the organizational culture they hope to be inculcated by all employees.

In order for organizations to have the ability to adjust to changing employee needs and market conditions, their management must also design the appropriate training and advancement strategies, to help oriented employees towards change. Training and development can add value to the organization by maximizing productivity, enriching personnel's skills and finally helping the organization to effectively confront the external

pressures (Petaraf, 1993). The awareness and understanding of the importance of certain changes made will help reduce the stress faced by employees in going through changes.

Organizational Commitment

Generally, organizational commitment refers to the attachment, emotionally and functionally, to one's place of work and, as shown below in our discussion, has been examined empirically in several ways. Rokeach (1979) argued that work values and attitudes were concepts independent of each other. One of the more commonly used measures of attitudes in organizational psychology is commitment. Commitment has been analyzed from several perspectives (Mathieu and Zajac, 1990; Mowday *et al.*, 1979). It has served as both a dependent variable for antecedents such as age, tenure, and education (Dunham *et al.*, 1994) and as a predictor of various outcomes such as turnover, intention to leave, absenteeism, and performance (Weiner and Vardi, 1980). As to the cause-effect relationship between organizational commitment and job satisfaction, research has not indicated a particular direction. It is likely that a reciprocal relationship exists with a change in one of the attitudes affecting the other one. Thus, an organizational stressor may first affect commitment, but as commitment continues to decrease, it is difficult to imagine a scenario where satisfaction will stay at the same level. Similarly, an individual stressor that elicits dissatisfaction with the job will eventually loosen the individual's ties to the organization.

According to Werkmeister (1967), commitment is a manifestation of the individual's own self, and reflects value standards that are basic to the individual's existence as a person. Some empirical support to this view was provided in studies relating work values to commitment. Kidron (1978), for instance, observed that work values show higher correlations with moral commitment to the organization than with calculative commitment.

Other authors considered values in general and work values specifically as important variables in explaining organizational commitment (Elizur, 1996; Kidron, 1978; Putti *et al.*, 1989). Elizur (1996) and Kidron (1978) reported that a moderate relationship exists between work values and organizational commitment. Putti *et al.* analyzed the relationships between work values and organizational commitment based on a sample of workers in Singapore. Their findings indicated that intrinsic work values relate more closely to organizational commitment than extrinsic work values. These results are in line with Herzberg *et al.*'s (1956) distinction between motivator and hygiene factors, and with hypothesis that cognitive values will be more strongly related to commitment than the other classes of values.

Organizational commitment has received substantial attention among academicians in past research due to its significant impact on work attitudes such as job satisfaction, performance, absenteeism and turnover intentions. Organizational commitment has been defined differently by different scholars depending on their backgrounds. In trying to

resolve the different ways of measuring commitment, Allen and Meyer (1990) proposed a three-component model of commitment, which integrates three various conceptualizations. The three types of commitment are:

- 1) affective
- 2) continuance and
- 3) normative

The affective commitment refers to employees' emotional attachment to, identification with, and involvement in, the organization. The continuance commitment refers to commitment based on the costs the employees associate with leaving the organization. The normative commitment refers to employees' feelings of obligation to remain with the organization.

Organizational Change

Researchers estimate that 60-80% of organizational change initiatives fail to achieve their intended business results (Smith, 1996; Stewart, 1994; Strebel, 1996). These projects fail because employees do not develop and maintain high commitment levels to the change effort (Corner, 1992). Currently, few studies exist that describe how employees develop and sustain commitment to change (Cummings & Worley, 2001; Herscovitch & Meyer, 2002). Yet numerous change management models describe organizational commitment to change as one of the first and most crucial steps to achieving positive change. With the

flattening of organizations and decreasing layers of middle management, employee as well as organizational commitment to change is vital factor for organizational success.

The ability to manage change directly affects a company's profitability (Block 2001) with "strategy implementation, rather than strategy content, differentiating successful from unsuccessful firms" (Becker, Huselid, & Ulrich, p. 39, 2001). Leaders and managers must successfully implement change in their organization in order to sustain a competitive advantage.

Change is often an uncomfortable process because it requires employees to think and act differently in the future (Armenakis & Bedian, 1999). Once a change is implemented, employees will no longer perform their jobs the same way. For example, if a company decides to have sales associates input their orders into a computer system instead of talking to a company representative, they must learn a new method for filling orders, one that requires them to access and input the appropriate information via computers instead of through a telephone conversation. This alters communication patterns, relations with colleagues, and internal work process.

While planning and implementing a change initiative, leaders must answer the following three questions. First, what need to be changed? Second, how will we communicate and implement the change? Third, will the implementation process lead to a workforce committed to the change?

Employee will commit to a change initiative when they conclude that it is necessary, relevant, and most importantly, will benefit themselves or others. These benefits include extrinsic rewards (i.e., job security, pay, promotion, experience) and intrinsic rewards (i.e. recognition, satisfaction, feelings of accomplishment). Often, these desired outcomes are different for each employee. Therefore, employees will commit to an organizational change initiative when they perceive they will gain some type of desired reward (Vroom, 1995).

Among the focus of research on organizational change are the impact of internal/external factors, such as organizational age, size, and inertia/momentum, on an organization's effectiveness in responding to environmental (internal/external) changes (Meyer et al., 1990; Kelly and Amburgey, 1991; Haveman, 1992; Fox-Wolfgramm et al., 1998), the linking between outcome or criterion variables (such as receptivity, resistance, commitment, cynicism, or stress) and the success or failure of organizational change (Becker et al., 1996; Dean et al., 1998), and research that deals with monitoring employee reactions to organizational change (Schweiger and DeNisi, 1991; McHugh, 1997, Walhstedt and Edling, 1997; Yousef, 2000)

Organizational Culture

The term "culture" refers broadly to a relatively stable set of beliefs, values and behaviours commonly held by a society. Although it is derived from social anthropology as a framework for understanding "primitive" societies (Kotter and Heskett, 1992), the

concept of culture has recently been widely used in the context of organizations. In particular, “corporate” or “organizational culture” was used to explain the economic successes of Japanese over American firms, through the development of a highly motivated workforce, committed to a common set of core values, beliefs and assumptions (Denison, 1984; Furnham and Gunter, 1993). While it has been suggested that culture accounts for the economic performance of various countries (Hofstede, 1980; Hofstede and Bond, 1988), the idea of corporate culture also serves to provide a basis for understanding the differences that may exist between successful companies operating in the same national culture (Schein, 1990). Peters and Waterman (1982), for example, held that successful organizations possess certain cultural traits of “excellence”. Ouchi (1981) presented a similar relationship between corporate culture and increased productivity, while Deal and Kennedy (1982) argued for the importance of a “strong” culture in contributing towards successful organizational performance.

Despite the claims for a link between organizational culture and corporate performance, few studies appear to have examined the effect of organizational commitment and its relationship between corporate culture and attitude towards organizational change. In this study, the role of organizational commitment as mediator on the relationship between organizational culture and attitude towards organizational change is examined. In order to do this, approaches used to study organizational commitment will be presented as a basis for examining existing empirical research on the relationship between commitment, culture and attitude towards change.

Where culture is regarded as capable of manipulation, commitment to the organization is assumed to be increased as the individual's sense of identity is brought into line with the values of the corporate culture. This in turn become standardized pattern of behaviours which the company and which in effect, become the basis of a corporate performance.

The organizational culture of the workplace produces its own taken-for-granted assumptions about the world and systems of ordering experience. However, organizational culture change provides a further level of complexity. Corporate culture with its emphasis on shared beliefs, values, norms and style seeks to construct common meanings for experience. The mechanisms of corporate culture change reinforce a common rhetoric by ensuring the systems, structures, skills and rewards as a basis for regulating and standardizing patterns of behaviour.

Organizations seek to create and re-create themselves to achieve a presentation and re-presentation of appearance. These conflicts are not normally exposed until some dislocation of expectation occurs. The individual in the organization is required to play a role in a specific context or range of contexts. As such, he/she does not require "cultural consensus" about the meaning on which their actions are based. What this means is that consensus regarding the frame of action, the performance, becomes more important than shared meanings about the nature of the action. A smooth reading through the "script" becomes more important than interpretative improvisation. For instance, in most cases staff will take for granted by thinking that, "I'm sure the boss knows what he's doing"

when the staff provides information which is contrary to the script. Clearly, this is always true of the norms of any social situation. The point here is that corporate culture change seeks to reinforce corporate norms.

A second problem area concerns the imposition of apparently consensual values. This will result in dissonant behaviour and experience in organizational members who may demonstrate their resistance to the organization in a range of unpredictable ways. Whether from a theoretical standpoint or as the basis of managerial action, what needs to be challenged is the naïve preoccupation with shared values as a route to organizational success.

Corporate culture has been viewed as an organizational variable to be manipulated in order to:

- increase commitment;
- achieve standardized patterns of behaviours and style;
- pursue quality and service;
- change customer/competitor perceptions; and
- increase identification with the organization.